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Treasury Minutes

Government responses on the Ninth to the Fourteenth reports from the Committee of Public Accounts: Session 2015-16

Cm 9220

March 2016

Treasury Minutes

Government responses on the Ninth to the Fourteenth reports from the Committee of Public Accounts: Session 2015-16

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Presented to Parliament by the Economic Secretary to the Treasury by Command of Her Majesty

Cm 9220 March 2016

TREASURY MINUTES DATED 3 MARCH 2016 ON THE NINTH TO THE FOURTEENTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS: SESSION 2015-16

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Ninth Report of Session 2015-16

Department for Transport

Network Rail's 2014–2019 investment programme

Introduction from the Committee

Based on Government requirements for the rail network, Network Rail sets out the work it will carry out in five yearly cycles. The Office of Rail and Road reviews these 5-year programmes, including the expected costs. In October 2013, the Department for Transport, Network Rail and the ORR agreed a £38.3 billion rail spending programme covering the period from April 2014 to March 2019. This spending included enhancements to the rail network, renewals of worn-out equipment and the costs of maintenance and operations. This report focuses primarily on the £12.8 billion plan for enhancements, of which 52% was at an early stage of development, with highly uncertain costs at the time the overall programme was agreed.

In September 2014, Network Rail was reclassified as a public sector body, with a government loan facility capped at £30.3 billion for the 2014–2019 period, which will be used to pay for enhancements and to refinance existing debt. Previously Network Rail borrowed from the financial markets, supported by government guarantee. It did not have a fixed limit on the amount it was permitted to borrow under the old arrangements.

In June 2015, the Government, concerned that the programme of work was costing more and taking longer than planned, announced three reviews into Network Rail and rail infrastructure investment. One of these, led by Sir Peter Hendy, the new chairman of Network Rail, looked at how the enhancements programme could be put back on a sustainable footing. Sir Peter's report was published in November and his recommendations are now the subject of a consultation which closes in March, 2016.

On the basis of a memorandum by the National Audit Office, the Committee took evidence on 21 October 2015 from the Department for Transport, Network Rail and the Office of Rail and Road about the programme of rail investments for 2014-19. The Committee published its report on 20 November 2015. This is the Government response to the Committee's report.

Background resources

- NAO memorandum: *Planning and delivery of the 2014–2019 rail investment programme*
- PAC report: *Network Rail's 2014–2019 Investment Programme* – Session 2015-16 (HC 473)

1 and 4: Committee of Public Accounts conclusions:

1. The 2014–2019 rail investment programme could not have been delivered within the budget which the Department, Network Rail and the Office of Rail and Road agreed.

4: Network Rail's reclassification as a public body has brought reduced flexibility to borrow to cover cost increases.

Recommendations:

1. For the next planning round for rail investment, and in all future investment planning, the Government must assure itself that its plans can be delivered. For all rail spending decisions the Department, Network Rail and the Office of Rail and Road must assess and explain how uncertainty in key projects could affect the plan's overall costs and schedule.

4. Network Rail must embed much tighter project planning, costing and cost control throughout the organisation and be clearer with the Department about what can and cannot be afforded. We want to see clearer accountability for project costs and project management.

1.1 The Government accepts the Committee's recommendations.

Recommendations implemented.

1.2 The Department is working with Network Rail to improve the planning of enhancements. The Department has already developed a portfolio of projects at various levels of maturity. Enhancements

Delivery Plans, agreed by the Department and Network Rail, contain information on the enhancements projects.

1.3 The Department will continue to make spending decisions using the Treasury's five case assessment framework, which includes an assessment of how uncertainty in key projects could affect the plan's overall costs and schedule. Working with Network Rail, the Department is introducing new gateways in the planning process, and a change control process that ensures the assessment remains valid throughout the life of the programme.

1.4 In parallel, Network Rail has developed an Enhancements Improvement Programme which aims to strengthen project management, costing and control, and capabilities. These measures will reset the formal framework and be underpinned by a new Memorandum of Understanding, to be published in March 2016.

2: Committee of Public Accounts conclusion:

The Office of Rail and Road's approach to reviewing the efficiency of Network Rail's costs is unconvincing and it was not robust enough in scrutinising Network Rail's plans.

Recommendation:

The Department should carry out a fundamental review of the regulator's role and effectiveness in rail infrastructure planning.

2.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.2 The Department issued a consultation on the roles and responsibilities of ORR, with a call for evidence on 10 December 2015 and will report back the findings in March 2016. The Government has asked Nicola Shaw, Chief Executive of High Speed 1, to advise by Spring Budget on the longer term future shape and financing of Network Rail. Her final report may include proposals relating to the planning of future rail enhancements which the Department will consider as part of its response to the report.

3, 5, 7 and 8: Committee of Public Accounts conclusion:

3. The rail investment planning and funding model is not adequate for major enhancement work such as the current electrification schemes.

5. Cost increases on the Great Western Main Line electrification programme are staggering and unacceptable.

7. There is still far too much uncertainty on costs and eventual delivery dates for the other two major rail electrification programmes in the 2014-2019 programme.

8. There is a risk that more projects will be delayed in order to balance Network Rail's budget.

Recommendations:

3. The Department, Network Rail and the Office of Rail and Road should put in place sharper accountability arrangements for major enhancement projects, such as the Great Western Main Line electrification. They should also agree principles on when it is appropriate to fund and manage these projects outside the five year rail funding cycle, and build in strong accountability mechanisms to avoid costly overruns.

5. The Department and Network Rail should publish an updated schedule and cost forecast for the Great Western Main Line electrification programme, a full account of what has caused the cost increases to date and proposals for controlling future costs, including the liabilities associated with the new electric trains.

7. The Department and Network Rail, drawing on the Hendy review, should publish a revised programme of rail electrification improvements, including the rationale for prioritisation between projects, with updated cost and delivery forecasts.

8. The Department and Network Rail need to have a clear and agreed public strategy about which rail projects are deliverable. Deadlines for key milestones must be clear, realistic, and transparent to passengers and the public.

3.1 The Government accepts the Committee's recommendations.

Recommendations implemented.

3.2 The Department is working with Network Rail to improve governance of, and accountabilities for, the enhancement programme. This will focus on new control mechanisms to ensure delivery to schedule and value for money. The Department has reoriented its structure to streamline responsibilities and to reduce the interfaces with Network Rail. Transparency on the responsibility for cost overruns is an essential part of the gateways in the decision making process.

3.3 The Hendy Report on re-planning of Network Rail's investment programme sets out a revised plan for the rail enhancements programme, which has undergone independent assurance. The Secretary of State is minded to accept the revised plan subject to a period of consultation, which will close in March 2016. Network Rail has published an Enhancements Delivery Plan, which forms part the Hendy Review and sets out the outputs, obligations, scope and milestones for the enhancement projects, including for the Great Western Main Line. The Secretary of State will consider all consultation responses before reaching his decision on whether to accept Sir Peter Hendy's proposals for re-profiling the rail enhancements portfolio.

6: Committee of Public Accounts conclusion:
Without active engagement and management of the supply chain, skills shortages in key areas pose serious risks to Network Rail delivering its plans.

Recommendation:
The Department and Network Rail should publish a rail skills strategy for the industry with milestones for delivery.

6.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

6.2 Work is underway to develop a more strategic approach to people and skills. In January 2016, the Department published a Transport Infrastructure Skills Strategy. This set out plans for strengthening the transport workforce, increasing diversity and raising the level of skills in its arm's length bodies and the supply chain, including by delivering on the ambition for 30,000 apprenticeships in roads and rail over the next 5 years. In support of this strategy, the Rail Supply Group published its plans, in February 2016, for investing in skills and people as part of a wider rail sector strategy.

Tenth Report of Session 2015–16

Department of Health / Department for Communities and Local Government

Care Act first-phase reforms and local government new burdens

Introduction from the Committee

Between 2010–11 and 2015–16 central government reduced funding to local authorities by around 37% in real terms. Local authorities have tried to protect spending on key areas, like adult social care, but given this scale of cuts have been less able to do so over time. Placing unfunded new requirements on local authorities puts pressure on them either to increase locally raised income or reduce spending on existing activities. The New Burdens Doctrine is the Government's commitment to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes. The Department for Communities and Local Government oversees and coordinates how the Government applies the Doctrine.

Through the Care Act, the Government aims to reduce reliance on formal care, promote independence and well-being and give people more control over their own care and support. The Department of Health is responsible for achieving these objectives. The Government has calculated that new responsibilities under the Care Act will cost local authorities £470 million in 2015-16 to carry out and the NAO has estimated that the Care Act Phase 1 will cost £2.5 billion to implement from 2013–14 and 2019–20.

On the basis of 2 reports by the National Audit Office, the Committee took evidence on 12 October 2015 from the Department of Health and the Department for Communities and Local Government about the Care Act and the government's assessment and funding of new burdens on local authorities. The Committee published its report on 2 December 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Care Act first-phase reforms* - Session 2014-15 (HC 82)
- NAO report: Local Government burdens – Session 2014-15 (HC 83)
- PAC Report: *Care Act first-phase reforms and local government new burdens* Session 2015-16 (HC 412)

1: Committee of Public Accounts conclusion:
As local authorities implement new burdens placed on them by government, such as the Care Act, there is a risk that people will not get the support they need, and existing services will be adversely affected before government detects and responds to problems.

Recommendation 1a:
The Department of Health should set out in the next three months how it will build on its quarterly monitoring of the implementation of the Care Act and be ready to respond quickly and effectively to emerging problems.

1.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

1.2 The Care and Support Reform Programme Board has commissioned a further Local Authority Stocktake to facilitate ongoing monitoring of implementation of Phase 1 of the Care Act. Evidence from that stocktake will be presented to the Care and Support Reform Programme Steering Group. Following the closure of the Care and Support Reform Programme in March 2016, the Steering Group will continue to operate as an oversight body and have a role in scrutinising evidence; identifying support needs as they arise; and responding to any emerging problems. These sources will include views from users, carers and providers.

1.3 The Department of Health keeps its support offer to adult social care under review in light of the local authorities' emerging support requirements. The department will continue to work with the Local Government Association and others to ensure that a sector-led improvement offer is available to local authorities throughout 2016-17. The programme will support them to manage risk and drive improvement across the range of their adult social care responsibilities, including realising the benefits of the Care Act for users and carers.

Recommendation 1b:
The Department of Health's planned review of the Care Act should examine whether local authorities are meeting their statutory duties and assess additional cost pressures, including on other public services and on carer's themselves.

1.4 The Government accepts the Committee's recommendation.

Target Implementation Date: September 2019.

1.5 It is for local authorities to ensure their statutory duties are met. The Department of Health is commissioning a programme of research to evaluate and inform implementation of the Care Act 2014 to inform its understanding of how the Act is being implemented and how effectively the Act is achieving its underlying aims.

1.6 Research projects will focus on: prevention - the impact and outcome of these services; Carer support to provide quantitative evidence about the impact on carers' welfare of carer assessments and support; personalisation, choice, control and continuity of care; planning for later life; market shaping; and partnership approach to implementation. It is envisaged that each research project will take up to 3 years for completion.

1.7 The Department of Health will continue to work with HSCIC (Health and Social Care Information Centre) to ensure that national data collections support the monitoring of Care Act implementation and its cost, where appropriate. Data collections are kept under review to ensure to ensure that the Department collects the data required to monitor implementation and to ensure that it is collected with minimum cost and burden.

Recommendation 1c:
The Department for Communities and Local Government should ensure departments undertake post-implementation reviews of all significant new burdens to ensure funding is appropriate and to learn how to improve estimates for future assessments.

1.8 The Government accepts the Committee's recommendation.

Recommendation implemented.

1.9 As part of the new burdens process, the department has put in place a process to ensure all departments review all significant new burdens assessments after implementation of the policy by local authorities. The department recognises that this is particularly important for those significant new burdens where the assessment has been based on uncertain data, or is particularly difficult to determine. The department will check to make sure that reviews are carried out as agreed.

2: Committee of Public Accounts conclusion:
It is disappointing that Phase 2 of the Care Act had to be deferred and we are concerned that there are currently no firm plans for its implementation.

Recommendation:
The Department of Health should develop a properly resourced plan for the implementation of Care Act Phase 2, including a clear timetable, and report this to Parliament in this Parliamentary session.

2.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.2 Revised plans for the implementation of the cap on care costs in April 2020 have been developed and shared with the Care and Support Reform Programme board. The board has overseen the implementation and support of Phase 1 of the reforms and includes representatives from both local and central government. The department will continue to develop the policy underpinning the cap on care costs in the run up to a consultation on draft regulations and guidance in the summer of 2018. Following this consultation, the department aims to publish final regulations and guidance in April 2019. The regulations would come into force in April 2020.

3: Committee of Public Accounts conclusion:
The Department for Communities and Local Government is not transparent enough about what is assessed and funded as a new burden, and what is not, the reasons for the decisions made and the funding provided

Recommendations:
The Department of Communities and Local Government should publish routinely information on the new burdens it has identified, the reasons for its decisions on whether a new burden assessments are required, and the details of completed assessments.

3.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

3.2 The department now asks all policy departments to publish their completed new burdens assessments alongside the main Impact Assessment and other policy documents and announcements on the internet. For example: the new burden assessment for the Prevent Duty has been published on the Home Office website.[1]

3.3 Decisions on whether a new burdens assessment is required for policy proposals are based on the criteria set out in the published New Burdens Doctrine Guidance for Government Departments.[2] The department looks at a wide range of policy proposals and considers whether they meet the new burdens criteria. Where a proposal meets the published criteria, a full new burdens assessment will be carried out. Where a proposal does not meet the published criteria a full assessment is not necessary.

4: Committee of Public Accounts conclusion:
The Department for Communities and Local Government's definition of a new burden means that local authorities are not guaranteed funding for significant new costs.

Recommendation:
The Department must ensure that Spending Reviews and annual local government finance settlements take account of all additional cost pressures and new demands facing local authorities, not just those it defines as new burdens, to ensure they have sufficient resources to meet their statutory duties. This is particularly important in the light of the 37% reduction in local government funding over the last five years which reduces capacity for councils to support these duties from their existing budgets.

4.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

4.2 In reaching the funding decisions announced in the Spending Review in November 2015, the Government had regard to a wide range of factors that may impact on local government over the spending period, including some which fell outside the new burdens doctrine but nonetheless represented new costs for local authorities. This analysis took into account a range of financial and economic factors as well as changes in demand for services. For instance, analysis on adult social care drew on academic modelling of future demand for services; projections and data on pay including the National Living Wage from the Office of Budget Responsibility and Skills for Care; and consideration of the potential for efficiencies and savings, from a range of sources.

[1] https://www.gov.uk/government/publications/prevent-duty-new-burdens-assessment
[2] https://www.gov.uk/government/publications/new-burdens-doctrine-guidance-for-government-departments

Eleventh Report of Session 2015–16

Ministry of Defence

Strategic Financial Management and Military Flying Training

Introduction from the Committee

Prior to the 2010 Strategic Defence and Security Review, a £38 billion gap was identified between the funding the Ministry of Defence expected and the forecast cost of Defence over the following 10 years. This funding gap was having a destabilising effect on the defence budget. Since 2010, the department has adopted a two-pronged approach to improving its financial management. It has sought to address the funding gap in its equipment programme and reduce costs in all areas of the defence budget to meet the Spending Review 2010 and subsequent settlement; and improve its management structure by delegating greater financial responsibilities to the Armed Forces who, since April 2015, have managed over 70% of the £34 billion defence budget.

The department has sought to reduce costs by reforming its Head Office, its procurement arm (Defence Equipment and Support) and its estate management organisation (Defence Infrastructure Organisation). Reform of the procurement and estate management functions is being sought through contracts with industry to provide additional skills and capabilities the department does not hold.

The use of industry expertise to reform areas of the department's business is not new. In 2008, the department signed a 25 year contract with Ascent, to develop and manage a new approach to core flying training. Under this approach, Ascent is responsible for providing aircraft and simulators for training, running training courses and training an agreed number of aircrew from all 3 of the Armed Forces each year. The department remains responsible for many aspects of core training.

Several events affected the department's original assumptions about how its 25-year contract with Ascent would work. These include the Government's decision to reduce the size of the front line fleet of aircraft, resulting in a substantial reduction in the number of aircrew entering training each year; a decrease in overall funding from a forecast of £6.8 billion to £3.2 billion; changes to the funding approach (from PFI to conventional funding); and poor contractor performance between 2008 and 2012. These events took the department time to resolve, but contractor performance has since improved.

On the basis of two reports by the National Audit Office on Strategic Financial Management of the Ministry of Defence and Military Flying Training, the Committee took evidence at separate hearings from the Ministry of Defence, with additional evidence from Ascent in relation to military flying training. The Committee published its report on 4 December 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Strategic Financial Management in the Ministry of Defence – Session 2015-16 (HC 268)*
- NAO report: *Military Flying Training – Session 2015-16 (HC 81)*
- PAC report: *Strategic Financial Management in the Ministry of Defence and Military Flying Training*.

1: Committee of Public Accounts conclusion:
Although the department has addressed the £38 billion black hole in its finances, and lived within its reduced budget, significant risks to the future stability of its budget remain.

Recommendation:
The department should be alert to the risks and pressures on its budget and report regularly and transparently to Parliament about how it is managing them. It should also put in place a clear process for monitoring how it is achieving savings and whether these are through efficiency measures, cutting programmes or moving costs to future years by delaying planned expenditure. Where it achieves savings by moving costs to future years the department should ensure it does so only following a thorough assessment of the risks to operational capability and the potential for increased costs overall.

1.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

1.2 The stability provided by the Chancellor's Spending Review 2015 (SR15) settlement for defence, and the new flexibility this gives to reinvest efficiencies, is helping to ensure that realistic financial contingency and other mitigations are fully embedded in decision-making processes. The defence programme post- SR15 is currently being constructed to be balanced across the next 10 years.

1.3 To maintain this position, the department employs a risk-management methodology, focussing on internal and external risks at both the corporate and lower organisational levels, which are reported to the Defence Board as part of planning and in-year management. The department reports to Parliament through documents such as the Single Departmental Plan and Mid-Year Report, Departmental Annual Report and Accounts, as well as reporting separately on the Equipment Plan.

1.4 The identification and monitoring of savings and efficiencies is an inherent part of the department's financial management, with efficiency managed as a separate programme under the recently created Efficiency Delivery Board. This provides a robust reporting and monitoring methodology, feeding into quarterly stocktakes by the Permanent Secretary and into forward planning. Risks to operational capability and the potential for increased costs where savings are achieved by deferring expenditure to future years are managed through the planning process. All plans are approved by the Defence Board who also monitor delivery against them.

2: Committee of Public Accounts conclusion:
The Department has delegated over 70% of its budget to the Armed Forces whose staff have no previous experience of managing such large budgets.

Recommendation:
The Department should put in place strong assurance mechanisms to identify and address urgently any risks arising from its new delegated model, such as poor project management by the Armed Forces. It should also report regularly to Parliament on how the new model is working in practice and how it is managing any associated risks.

2.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.2 The Defence Authority (the departmental governance body) for the Acquisition System is accountable for setting the standards for the Acquisition System and for monitoring how the system is functioning. The Authority assures compliance with its standards, offers advice in their implementation and oversees the Acquisition Support Partner contract which provides expert external support. The Front Line Commands (FLCs) are continuing to mature their capacity as Intelligent Customers.

2.3 The department has 34 programmes and projects in the Government Major Projects Portfolio. These are subject to regular oversight and assurance by the Infrastructure and Projects Authority within the Cabinet Office, who monitor the programme and projects through quarterly reports and associated holding to account sessions. These programmes and projects also sit within the wider Defence Major Programmes Portfolio and are subject to internal departmental assurance and approvals arrangements.

2.4 The department has launched a Project Delivery Capability Improvement programme. A new competence framework has been released and a review of job roles and structures is under way. This is being delivered alongside significant transformation in Defence Equipment and Support and is also looking critically at the FLCs and assessing any project delivery skills and capability that they need to mature their Intelligent Customer function.

2.5 The Portfolio, Programme and Project Management Maturity Methodology (P3M3) is used to assess the implementation of Project Delivery across the department and improvements are benchmarked with comparable programmes in industry. The P3M Governance Group reviews progress.

3: Committee of Public Accounts conclusion:
The department does not have all the skills it needs across the organisation to address the risk of its budget 'overheating' again.

Recommendation:
The department must do more to identify and develop the skills it needs across both the military and civilian elements of the organisation to manage contracts and finances. It should set out a clear and coherent plan for how, and by when, it will secure those skills to ensure the success of its new management structure. The development of these skills should be a priority for the Armed Forces.

3.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

3.2 The department has identified finance, commercial and project delivery as skills capability gaps with potential to compromise the department's ability to achieve critical business objectives and manage its contractors effectively. The department is now closing those capability gaps through training initiatives and ensuring that its skills needs are developed coherently both across functions and across Government. It is also using private sector support to supplement skills where necessary. The Cabinet Office is establishing a Government Commercial Office for Grade 6 and above. The Department hopes to exploit this opportunity to help improve departmental performance and enhance the management of contractors to achieve the maximum value for money.

3.3 The department's Commercial Professionalism Programme will drive professionalism in the commercial function through better training, assessment, career management and mentoring. The department is also providing substantial investment to establish a clear and attractive career path for MOD commercial professionals, and commercial recruitment campaigns at all levels are under way.

3.4 The department's Head Of Finance Profession is driving the improvement in the training provided for the finance function through: the review and amendment of the current training offering; recruitment of finance apprentices and finance fast stream; and the encouragement of existing staff to undertake professional qualifications, either through the MOD Corporate Accountancy Training Scheme or Government Finance Profession initiatives (for example the CIPFA Certificate in Central Government Finance) or fast-track qualifications. This activity is closely linked to the Government Finance Profession initiatives to build capacity and capability in finance across government departments.

4: Committee of Public Accounts conclusion:
The department has not yet balanced the cost of the defence estate with the funding available.

Recommendation:
The department should, as a matter of urgency, produce a coherent plan setting out how it will transform the estate to address the forecast gap in funding, reduce maintenance costs and provide an estate that is fit for purpose. The plan should include a comprehensive set of assessment criteria for determining which estate sites to dispose of to maximise value to the taxpayer and local communities in the long term.

4.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

4.2 The Defence Infrastructure Organisation's Strategic Business Partner is contractually incentivised to drive down the operating costs of the estate. This should build on the significant savings secured through procurement of the Next Generation Estate Contracts for maintenance of the estate.

4.3 The new Footprint Strategy for the Defence Estate will deliver significant savings by rationalising the estate so that it is of the right size to meet the future needs of the Armed Forces and is affordable. The department will make a strong contribution to the wider Government agenda and to national prosperity by releasing surplus land for housing. Decisions on which property to keep and invest in and which to dispose of will focus on determining the minimum core footprint that offers the best value for money to enable military capabilities. Only those sites or parts of sites not required for likely future Defence outputs will be disposed of. Defence will also retain an appropriate regional military presence.

4.4 The department has recognised that the demand for infrastructure Capital investment to provide an estate that is fit for purpose is not matched by the available resources. It has therefore implemented a new system for prioritising infrastructure investment, with Head Office considering Balance of Investment choices and ensuring capability coherence. Additional Capital funding for infrastructure was identified during SR15 and more efficient infrastructure delivery will be driven through the Government Construction Strategy.

5: Committee of Public Accounts conclusion:
The department's ability to manage the risks it faces is dependent on improving its management of contractors.

Recommendations:
When entering into a contract, the department should set clear indicators or milestones that will alert it to poor performance and monitor them to enable it to intervene quickly if contractor performance falls below the required level; and consider adding clauses to its contracts placing a duty on contractors to give early warnings of problems with contracts–even if this could be financially disadvantageous to the contractor. Ultimately, it is the taxpayer who picks up the bill for failure. It is not acceptable for contractors being paid by the government to see failure and not act to safeguard the interests of the taxpayer.

5.1 The Government accepts the Committee's recommendation.

Recommendations implemented.

5.2 The department continually strives to improve how it manages contractor performance and how it holds its contractors to account. Performance is monitored through Performance Indicators (PIs) and delivery against milestones, or through Earned Value Management. The Managed Service Providers supporting the Defence Equipment & Support Transformation Programme, for example, are incentivised through the contract to monitor the delivery and performance of benefits through a governance arrangement. Similarly, the Strategic Business Partner for the Defence Infrastructure Organisation is incentivised to deliver savings through a gain-share arrangement, with the delivery of infrastructure services to an agreed standard being safeguarded through Key PIs, where poor performance triggers financial penalty. Significant or persistent issues require a rectification plan to be agreed and implemented.

5.3 The department's policy is to include in all but its simplest or short term contracts a requirement for suppliers to provide periodic progress reports to highlight emerging problems. These reports include information about performance against contract deliverables, and risks. The department's guidance on contract management recommends fostering contractual relationships that encourage early communication of problems and highlights warning signs that can indicate the possibility of failure.

5.4 The Single Source Regulations Office will both reduce the level of profit contractors are able to achieve on single-source procurement and provide a more rigorous examination, and much greater transparency, of contract costs and charges.

6a: Committee of Public Accounts conclusion:
Flaws in the Departments approach to managing contractors are evident from the military flying training programme. Key elements of the contract with Ascent to deliver improvements in military flying training no longer meet the department's needs.

Recommendations:
The department should ensure that incentive payments are aligned to match the aims of the contract and incentivise the contractor to seek continuous improvement in time, cost and quality; and when its performance requirements change during the life of a contract, reward mechanisms for contractors are realigned as soon as possible to incentivise achievement of the contract's intended outcomes.

6.1 The Government accepts the Committee's recommendation.

Recommendations Implemented.

6.2 The department had already recognised that contractual incentivisation could be improved. In partnership with Ascent, the department is conducting a detailed review of the contract incentivisation mechanisms for the whole of the UKMFTS construct. Following the conclusion of these commercial and financial negotiations with key stakeholders, these incentive mechanisms will be implemented immediately to meet the Department's requirements.

6b: Committee of Public Accounts conclusion:
Flaws in the Departments approach to managing contractors are evident from the military flying training programme. The department lacks basic data on military flying training to help it understand training performance and hold its contractor to account.

Recommendations:
The Department must ensure that sufficient management information is available for it to make informed decisions about whether use of contractors represents good value for money and to monitor achievement of the anticipated benefits as programmes progress.

6.3 The Government accepts the Committee's recommendation.

Recommendation Implemented.

6.4 The department is improving the way it captures data concerning the time it takes to train aircrew, the cost of the training and skills proficiency. The department is using data from 2009-10 to form its baseline and this thorough management information, available from April 16, will be exploited to enable a direct comparator between the previous and the new training system to ensure that the department continues to achieve value for money. This baseline will also be used to measure the impact of the new system, maintaining continuous improvement to the quality of training and enhancing the capabilities of military aircrew. The department is using feedback from every stage to ensure that the training delivered remains relevant to the Front Line requirement. The flexibility and agility of the UK Military Flying Training System will enable it to adapt to meet the needs of Defence.

Twelfth Report of Session 2015-16

Department of Health

Care Quality Commission

Introduction from the Committee

The Care Quality Commission (the Commission) is the independent regulator of health and adult social care in England. Its purpose is to "make sure health and social care services provide people with safe, effective, compassionate, high quality care, and to encourage them to improve". The Commission is a non-departmental public body, sponsored by the Department of Health (the Department). The Committee of Public Accounts last took evidence from the Department and the Commission in 2012. In its report the Committee expressed serious concerns about the Commission's governance, leadership and culture, and its failure to intervene quickly or strongly enough in failing providers of health or social care services. The Commission has since been working with the Department to implement significant changes, under a three-year transformation programme between 2013–14 and 2015–16.

On the basis of a report by the National Audit Office, the Committee took evidence, on 28 October 2015, from the Department of Health and the Commission, on the Commission's capacity and capability to regulate the quality and safety of health and adult social care. The Committee published its report on 9 December 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Capacity and capability to regulate the quality and safety of health and adult social care* - Session 2015-16 (HC 271)
- PAC report: *Care Quality Commission* - Session 2015-16 (HC 501)

1: Committee of Public Accounts conclusion:

The Commission is behind on its inspection programme.

Recommendation 1a:

The Committee is very concerned about the effect being below staff complement has had on the Commission's ability to carry out its full programme of inspections. The Commission should write to the Committee in July 2016, with an update on staff turnover rates and whether it has met the recruitment targets it gave in evidence. The Commission should set out: whether it has reached a full complement of suitably skilled and qualified inspectors; whether it has sufficient analysts; and what impact staff shortages have had on its forecast trajectory for carrying out inspections.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: July 2016.

1.2 The Commission is confident that it has a robust process in place for the recruitment of inspectors. It met its recruitment target of appointing 600 new inspectors in November 2015. The Commission reports to its Board regularly on vacancy, sickness and turnover rates. The Quarter 3, 2015-16 performance report was presented to the Board at its meeting on 24 February 2016, and set out the position on staffing as at the end of December 2015. The Commission will write to the Committee in July 2016 to provide it with the latest position on recruitment.

Recommendation 1b:

The Commission needs to demonstrate how it will deliver its programme of inspections in the face of substantial funding reductions. This should include a robust and transparent analysis of risk if it adopts a more flexible approach or prioritises resources. It needs to be clear to the taxpayer and the organisations it inspects about changes of approach.

1.3 The Government accepts the Committee's recommendation.

Target implementation date: May 2016.

1.4 The Commission is currently consulting on its strategy for 2016–2021. This outlines the way in which the Commission intends to carry out its statutory duties over the next five years, taking account of the outcomes of the Comprehensive Spending Review. The final strategy is due to be published in May 2016.

1.5 The Commission is in the process of developing its Business Plan for 2016-17, which will include indicators and targets against which its performance will be reported in public to the Commission's Board at regular intervals.

2: Committee of Public Accounts conclusions:
Too often the length of time between an inspection and a report is too long, and the Commission's draft report contain too many basic factual errors.

Recommendation:
The Commission should set out how it will improve the quality of initial draft reports, and ensure that the time between inspection and publication of reports is shorter. We expect to see progress on this in the next 12 months.

2.1 The Government accepts the Committee's recommendation.

Target implementation date: March 2017.

2.2 The Commission recognises the need for its reports to be more accurate. It will make improvements to the quality and timeliness of inspection reports. This will include additional quality checks of the data included in reports, improving the audit trail of post-inspection decision making, improving guidance and tools for inspectors, and streamlining the sign-off process for reports. This will reduce the time taken to publish reports. The Commission has also introduced a new tool for inspectors which reviews reports for issues such as spelling, grammar and style, and suggests improvements to report authors.

2.3 Some early initiatives are already resulting in quicker publication of reports in adult social care and primary care with a more radical rethink underway on hospital reports. A programme of further improvements will be implemented during 2016-17, which will include the introduction of shorter reports across all sectors.

3: Committee of Public Accounts conclusion:
The Commission has not always made best use of vital intelligence from patients, carers and staff about the quality of care, or acted quickly enough on their concerns.

Recommendation:
As it continues to build user feedback into its work, the Commission should publicise its role, make it easier for people to say what they think of care, and prioritise action in response to safety concerns. It must work with other bodies - including the ombudsman, central and local government and the third sector — to ensure that concerns are addressed quickly, particularly those raised by whistleblowers. It also needs to improve the quality of information available to people who are choosing a care provider.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: March 2017.

3.2 The Commission published its Public Engagement Strategy in February 2015. This strategy outlines the steps the Commission is taking to raise its profile with patients and the public.

3.3 The Commission works with local and national statutory partners who have a role in responding to concerns, including the Local Government Ombudsman and the Parliamentary and Health Service Ombudsman, to share information about provider organisations. The Commission continues to work with a range of third sector organisations, and has partnerships in place with seven large national charities that are helping to publicise the role of the Commission and to make it easier for people to say what they think about their care.

3.4 The Commission is also in the process of reviewing the information available to the public. In 2015, the Government introduced a requirement for all registered providers, who have been inspected and rated, to display their rating at the location at which care is provided. In addition, the Commission is reviewing the information available to the public through its website, to simplify the structure, to give clearer information about services in order to help people to choose care more easily.

3.5 The Commission has revised and recommissioned its Experts by Experience programme which will include work at a local level to encourage feedback to the Commission from patients and people who use services on their experiences of care. On 7 January 2016, Dame Eileen Sills was appointed as the first National Guardian for speaking up safely.

4: Committee of Public Accounts conclusion:

There is no way for parliament or the public to know whether the Commission is performing its statutory duties to protect the health, safety and welfare of people who use health and social care services.

Recommendation:

The Commission should publish quantified baselines and targets for its performance across the board from 2016–17 onwards.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: April 2016.

4.2 The Commission recognises that more needs to be done and this is being addressed as part of business planning for 2016-17. During 2015-16 the Commission started developing baseline performance indicators across its functions, to ensure that any targets set are realistic. These baselines will be included in the Business Plan for 2016-17 together with the relevant indicators and targets. This will provide a clearer view of performance which will be reported in public to the Commission's Board at regular intervals.

4.3 The Commission already publishes detailed operational and financial performance reports on a quarterly basis, and these are discussed at the open Board session. These reports also include an extract of the Commission's strategic and operational risk registers. In between the quarterly reports, the Board publishes abridged monthly summary reports, which cover performance against registration, inspection, publication of reports, enforcement and special measures activity.

5: Committee of Public Accounts conclusion:

The Commission will become responsible for assessing hospitals' use of resource in April 2016, but it will take over a year for it to implement these responsibilities in full.

Recommendation 5a:

The Commission should set out what its approach will be to provide assurance about the use of resources by hospital providers. It should do this as soon as possible as it takes on these responsibilities in April 2016.

5.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

5.2 The Commission's assessments will provide information on providers' use of resources as this is an essential component of sustainable good service delivery. The Commission published '*Delivering Cost-Effective Care in the NHS'* in October 2015, which sets out the initial proposals for how the Commission will assess NHS acute trust's use of resources. In January 2016, the Commission and NHS Improvement wrote to all Trusts setting out the respective roles of the two bodies with regard to both the assessment of safety and quality and use of resources. The Commission will continue to work closely with NHS Improvement to ensure that there is a single integrated approach, and it will pilot its assessment methodology from April 2016. The final methodology will be refined in the light of these pilots and implemented from early in 2017.

5.3 The Commission is currently consulting on its strategy for 2016–2021, including how it will deliver the assessment of use of resources by providers. In response to Lord Carter's recommendation on the development of use of resources measures at a trust level, NHS Improvement will be working closely with the Commission in developing and establishing what good looks like. Furthermore, NHS Improvement in conjunction with NHS England will establish an integrated performance framework, so that all organisations in the NHS have a shared understanding of all key facets of NHS provider performance.

Recommendation 5b:
The Department should clarify the roles of the Commission, Monitor, and the NHS Trust Development Authority for assessing the use of resources by health bodies, to avoid duplication of effort and unnecessary burdens. The Committee has serious concerns about adding this responsibility to the Commission when it is not yet delivering its inspections.

5.4 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

5.5 The Department agrees that the respective roles of the Commission and NHS Improvement (Monitor and the NHS Trust Development Authority), must be clearly understood. The task of NHS providers is to deliver the right quality outcomes within the resources available. Adding an assessment of Trusts' use of resources alongside the Commission's existing quality ratings will give an opportunity to make these assessments more relevant to the operational challenges that NHS acute hospitals need to manage in order to maintain high-quality care. The Commission's focus will be on how the use of resources supports high quality care. In doing so, the Commission will draw on the information held by NHS Improvement

5.6 The Department wants regulators and commissioners to rely on each other's work, rather than duplicating effort, to create a single unified framework with a single way of measuring success that each regulator can use. The Commission and NHS Improvement will jointly design the approach the Commission will use to assess trusts' use of resources. The two organisations have recently written to Trusts setting out how they will develop an integrated single framework that will ensure that good quality care can be delivered at the same as achieving financial balance.

6: Committee of Public Accounts conclusion:

The current regulatory system focuses on single providers and does not give adequate assurance over patients' experience of the overall quality and safety of care they receive.

Recommendation:
The Department should report back to the Committee by the end of 2016 about how it will support the Commission to ensure that inspections take proper account of the needs of users in ensuring services provided by different health and social care organisations are properly joined up. The Commission will need to work with other key bodies including, for example, the ombudsman, patient representative groups and local delivery partners to collect sufficient information to inform its judgements.

6.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

6.2 The Commission will continue to regulate and rate individual providers. The way that services are used and delivered will change over the next five years. The Commission will work closely with partners in the health and social care system to make sure that its operating model keeps pace with new models of care, and does not stifle innovation. The Commission's consultation document on its strategy from 2016 to 2021 sets out proposals for how it will assess quality for particular populations, such as older people, and across local areas, whilst assuring that the needs of users remain central to the Commission's model.

6.3 The Department works with the Commission on its National Patient Experience Survey Programme and coordinating of the programme with NHS England. This is one way in which patients can be involved in their care. The Commission will soon be consulting on changes that they would like to make to its survey programme. Additionally, prior to hospital inspections the Commission holds engagement events with staff and the public to listen to their views on the services provided. This information helps inspectors to focus their inspections on areas of concern.

6.4 The Department will support the Commission to take these proposals forward through the business planning and quarterly review process. The Department will write to the Committee by December 2016 setting out progress in these matters.

Thirteenth Report of Session 2015-16

Department for Business, Innovation and Skills

Overseeing financial sustainability in the further education sector

Introduction from the Committee

Further education is formal learning outside of schools and higher education institutions, covering academic and vocational courses and training for apprenticeships. The further education sector in England receives around £7 billion of public funding each year, to educate and train around 4 million learners. The Department for Business, Innovation & Skills funds adult learners via the Skills Funding Agency, while the Department for Education funds learners aged 16 to 19, primarily via the Education Funding Agency. Around 240 further education colleges teach more than half of the sector's learners. Around 700 providers are commercial or charitable bodies, teaching most of the remaining learners.

Colleges are independent of government and manage their own affairs, with external intervention occurring only where a college is failing. The sector is subject to oversight from several bodies: The Department for Business, Innovation & Skills is responsible for the overall regulatory framework and policy; the Skills Funding Agency monitors financial health and management; and Ofsted inspects the quality of provision, including the effectiveness of leadership and management. The Further Education Commissioner - a role established in 2013 - intervenes in the most poorly performing colleges.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department for Business, Innovation & Skills (BIS), the Department for Education and Chief Executive of the Skills Funding Agency and the Education Funding Agency. The Committee also took evidence from the principals of three further education colleges: Hackney Community College, Heart of Worcestershire College and Central Sussex College. The Committee published its report on 16 December 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *Overseeing financial sustainability in the further education sector* – Session 2015-16 (HC 270)
- PAC report: *Overseeing financial sustainability in the further education sector* – Session 2015-16 (HC 414)

1: Committee of Public Accounts conclusion

The declining financial health of many colleges is potentially damaging for learners and local economies, but the funding and oversight bodies have been slow to address emerging financial and educational risks.

Recommendation:

The Committee expects the departments to report back to us on their progress in understanding the risks facing colleges and efforts to address these within 12 months, including progress against the specific recommendations we set out below.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016.

1.2 As Further Education Institutions are independent, the Government does not interfere with their day to day running and management. However, the Government takes failing colleges extremely seriously and is responsible for protecting learners, and ensuring good value for public investment.

1.3 The Skills Funding Agency has introduced more rigorous monitoring of colleges pre-intervention. This will help them identify colleges which may face difficulties at an earlier stage, including risk indicators, which help to prioritise those in need of early intervention.

1.4 Both departments started an Area Review process in September 2015, to complete in March 2017, with full implementation of the recommendations by the end of the Parliament. It is expected that the process will result in more streamlined specialised institutions, which are less dependent on public funding; providing a stronger offer for learners and employers and a more efficient use of public money.

1.5 The Departments will provide the Committee with an update of progress within 12 months. However the full outcomes of the Area Reviews and other interventions will not be known until 2018.

2: Committee of Public Accounts conclusion

While the introduction of the Further Education Commissioner has been a positive development, oversight of the sector is overly complex, leading to confusion over who is responsible for intervening and in what circumstances.

Recommendation:

The departments should review and simplify the oversight and intervention arrangements for colleges, making them as streamlined and effective as possible. They should also ensure that the Further Education Commissioner has adequate resources to intervene when colleges are struggling and before they reach crisis point.

2.1 The Government accepts the Committee's recommendation

Target implementation date: Summer 2016.

2.2 Stronger early identification of risk and early intervention in further education colleges by the Skills Funding Agency (SFA) has been introduced under the SFA: early intervention strategy[3] published in November 2015. This provides for early identification of colleges who may in future be in financial difficulty and proportionate early action to address the risks.

2.3 From 1 January 2016, the Agencies (Skills Funding Agency and Education Funding Agency) are progressively bringing together a single management process of the intervention functions. This will enable streamlining of intervention processes, and reduce duplication of activity across the 2 agencies, which both have a strong funding interest in Further Education colleges.

2.4 To ensure the Area Reviews and Intervention process remains timely, the Further Education Commissioner's team has been expanded to include 5 deputy Further Education Commissioners and an additional 12 advisers. This has increased the Further Education Commissioners workforce to: 1 Further Education Commissioner, 5 deputy Further Education Commissioners and 19 Further Education Advisers. In addition, the Education Funding Agency has also recruited 6 Sixth Form College Advisers.

2.5 The Departments and Agencies will continue to keep intervention processes and responsibilities under review with a view to improving efficiency and effectiveness.

3: Committee of Public Accounts conclusion

The departments and funding agencies sometimes make decisions without properly understanding the impact on learners, nor the impact on colleges' ability to compete with other education providers.

Recommendation:

The departments should routinely assess the impact of potential decisions on colleges and learners particularly considering the impact of short term year by year funding allocations, including the ability of further education colleges and other education providers to compete fairly with each other.

3.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

3.2 The Department agrees that it is right that decisions should be made after taking into account likely consequences, and so far as possible made on a consultative basis.

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[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475853/SFA_Early_Intervention_Strategy_Nov_2015.pdf

3.3 For adult education funding the Skills Funding Agency runs a consultative group which involves providers, Local Authorities, and Local Enterprise Partnerships in early discussion of changes to funding policy. Increasingly, grant for adult education will be determined by local decision makers rather than central Government, and through the Area Reviews which will rationalise capacity and lead to greater specialisation. Colleges will need to agree with local government and business what their role will be.

3.4 As part of the restructuring of post-16 education and training through the Area Review process, Sixth Form Colleges in England will be given the opportunity to apply to become Academies. If a college's application is approved, it will be eligible for Value Added Tax reimbursement once it is re-established with 16-19 academy status.

4: Committee of Public Accounts conclusion
The Department for Business, Innovation & Skills and the Skills Funding Agency are not doing enough to help colleges address risks at an early stage.

Recommendation:
The departments and the Skills Funding Agency should be much more proactive in helping further education colleges improve their capacity to manage the significant financial challenges they face in the likely event of further funding cuts.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: December 2016**.**

4.2 The Skills Funding Statement published in December 2015 set out clearly for Further Education Colleges the amount of money in the Adult Education Budget, 19+ Apprenticeships, and Advanced Learner Loans for the financial year 2016-17 alongside indicative amounts up to and including 2019-20. This has ensured that colleges can see the size of potential income streams from Government over the medium-term. This will help colleges to undertake sound financial planning with greater certainty as to the funding environment.

4.3 The Skills Funding Agency issued, in March and November 2015, financial dashboards to all General Further Education Colleges to enable their governors and senior management to benchmark their college's financial performance against those of colleges nationally and to enable them to scrutinise more effectively their college's financial performance. These will be reissued in March 2016. The Agency will issue in April 2016 new guidance to college governing bodies to strengthen the assurance they apply in approving each college's 3 year financial plans which will be signed off by college governing bodies and submitted to the Agency in July 2016.

4.4 Under its early intervention strategy published in November 2015 the Agency will be increasingly proactive in using data, intelligence and judgment to identify risks of weak financial management or of weakening financial performance in individual colleges , and will raise concerns directly with those colleges.

5: Committee of Public Accounts conclusion
It is unclear how area-based reviews of post-16 education, which are limited in scope, will deliver a more robust and sustainable further education sector.

Recommendation:
The departments need to demonstrate that the area-based reviews are taking a sufficiently comprehensive look at local provision taking into account all FE providers and school sixth forms, that they are fair, and that they result in consensus on sustainable solutions to meet local needs.

5.1 The Government does not accept the Committee's recommendation.

5.2 The recommendation includes a specific reference to the inclusion of school sixth forms in Area Reviews and school sixth forms are out of scope for the structural changes that will result from the Reviews.

5.3 Area Reviews are rightly predominantly focused on General Further Education and Sixth Form Colleges because of the urgent need to ensure there is a high quality and financially resilient set of colleges in each area of England. Schools with Sixth Forms, University Technology Colleges, independent Further Education providers and relevant provision in Higher Education Institutions will be included in the initial analysis of the reviews, but as was learnt during the strategic area reviews undertaken by the Learning and Skills Council in 2005, to analyse School Sixth Forms in greater detail would make the Reviews excessively cumbersome. There are more than 2,000 schools with sixth forms nationwide, compared to only 334 Further Education and Sixth Form Colleges.

5.4 Area Reviews will support major reform of the sector in order that it can make a significant contribution to the Government's strategy for raising productivity and supporting economic growth.

Fourteenth Report of Session 2015-16

Department of Health

General Practice Extraction Service

Introduction from the Committee

Work on the GPES project began in 2007 when it was the responsibility of the NHS Information Centre (NHS IC), which designed and ran the project. It was overseen by the Department which approved the business cases and provided the required funding as well as contributing technical expertise around the design and how it would integrate with other NHS systems. GPES is designed to extract data from the four major clinical IT systems used by GPs. NHS IC contracted with the four major suppliers of the clinical IT systems used by GPs to produce software to extract data from their systems. NHS IC also awarded a contract to Atos in December 2011 to produce the central software required to interact with each of these systems. On 31 March 2013 NHS IC closed and responsibility for GPES transferred to the new Health and Social Care Information Centre (HSCIC).

On the basis of a report by the National Audit Office, the Committee took evidence, on 26 October 2015, from the Department Health, the Health and Social Care Information Centre (HSCIC) and Atos on the General Practice Extraction Service (GPES). The Committee published its report on 31 December 2015. This is the Government response to the Committee's report.

Background resources

- NAO report: *General Practice Extraction Service- Investigation* - Session 2015-16 (HC 265)
- PAC report: *General Practice Extraction Service* - Session 2015-16 (HC 503)

1: Committee of Public Accounts conclusion:
GPES is late, over-budget and still does not deliver all that was intended.

Recommendation:
The Department and HSCIC need to develop a clear plan for the future of GPES that sets out the functionality and capacity required and how it will be delivered. The Committee expects the Department to report back once a decision on the future of GPES has been made, or within 6 months, whichever is sooner.

1.1 The Government accepts the Committee's recommendation.

Target implementation date: July 2016.

1.2 Work is underway, through development of a business case, to consider the options for the future of GPES, taking into account the expected requirements of the health and care system for the service. The business case will include options to improve the current system and options to replace the current service. It will be taken through the Department's and Cabinet Office's approvals processes, where appropriate, by June 2016.

1.3 The Department and HSCIC will notify the Committee in July 2016 of the strategic plan for delivering the business need currently met by GPES, including the cost of any additional investment in the service.

2: Committee of Public Accounts conclusion:
The original project team did not have the right skills or experience to build GPES and the governance structure was not fit for purpose.

Recommendation 2a:
The Department must ensure its IT projects are managed by people with the appropriate skills and experience.

2.1 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.2 The Department and HSCIC agree that appropriately skilled and experienced people should be engaged to manage their programmes. The Department is identifying and appointing experienced SROs. It is also taking action to appoint Programme Directors who have delivery experience gained in complex technical environments and large change initiatives; as well as experienced subject matter experts.

2.3 HSCIC has sponsored a number of programme directors and programme heads through the Major Projects Leadership Academy and Project Leadership Programme development programmes. These senior leaders will be assigned to the most complex and demanding programmes, including GMPP programmes. GPES is now run by an entirely new senior team of technical experts, led by a very experienced programme director.

2.4 The Department recognised that the governance arrangements for IT projects had not been adequate, and that there was a need to ensure appropriate engagement with ALBs and senior stakeholders, such as Cabinet Office and the Treasury. Following reviews by the Department and the Major Projects Authority (now the Infrastructure and Projects Authority) new accountability arrangements were set up principally with the establishment of the Informatics Portfolio Management Board (IPMB). The department believes this provides a robust governance structure for oversight of IT projects across health and social care. The Terms of Reference are kept under review by the Informatics Accountable Officer on behalf of the Department and its ALBs to ensure they remain fit for purpose.

Recommendation 2b and 2d:
2b: The Department must appoint a named individual (the SRO or someone nominated by the SRO) who is personally responsible for signing off each stage of the system, so that accountability is clear.

2d: The Department must make certain that systems are tested properly before they are accepted.

2.5 The Government accepts the Committee's recommendation.

Target implementation date: June 2016.

2.6 In accordance with Cabinet Office guidelines, the department seeks to ensure that each programme has a named SRO or programme director who is accountable for the overall delivery of that programme. The GPES programme now has an experienced programme director.

2.7 Any changes to the GPES system are now assured through the HSCIC Solution Assurance process and team. Solution Assurance provides an integration, assurance and testing facility for IT across health and social care, including a process for testing and assuring systems as they are developed.

2.8 The department will review current guidance and if necessary work with HSCIC to ensure that guidance for SROs and Programme Directors is strengthened, in particular in relation to signing off systems after appropriate testing at different stages.

Recommendation 2c:
The Department must establish clear lines of accountability between the Department and the bodies delivering IT projects and proper oversight mechanisms to monitor projects and take timely remedial action when necessary.

2.9 The Government accepts the Committee's recommendation.

Recommendation implemented.

2.10 The Department has now established an Informatics Portfolio Management Board which oversees the delivery of technology projects. IPMB is responsible for developing a cohesive portfolio of informatics programmes and monitoring the performance of that portfolio, with a particular focus on cost control, delivery into live service, and benefits realisation. IPMB receives a monthly report on the delivery status of programmes and the associated risks and issues. It forms part of the Department's governance model and is overseen by the Informatics Accountable Officer (IAO). The IAO has responsibility for the overall oversight and assurance of those aspects of the health and social care system relating to the provision of information, information technology and data.

3: Committee of Public Accounts conclusion:
In their approach to this project Atos did not show an appropriate duty of care to the taxpayer.

Recommendation:
The Cabinet Office should undertake a full review of Atos's relationships as a supplier to the Crown. The Committee expects the Cabinet Office to note carefully this example of sharp practice when determining what obligations a duty of care on contractors should entail and what sanctions would apply when performance falls short.

3.1 The Government accepts the Committee's recommendation.

Target implementation date: Summer 2016.

3.2 The Cabinet Office will be undertaking a review of all current Atos contracts with central Government with annual spend over £10 million. The Cabinet Office will write to the Committee summarising the findings of the review in summer 2016. The Department and HSCIC will provide the Cabinet Office with full details of their relationship with Atos to help inform their review.

4: Committee of Public Accounts conclusion:
Whitehall is not learning from past failures in IT projects, and is still repeating the same mistakes.

Recommendation:
The Cabinet Office should ensure that the failings in this project and the reasons for them are disseminated widely to reinforce the steps that need to be taken to avoid such mistakes being repeated again.

4.1 The Government accepts the Committee's recommendation.

Target implementation date: June 2016.

4.2 Whilst many of the issues highlighted by the Committee took place in parallel with those of the National Programme for IT, they did so in a separate organisation that was not well equipped for technology programme delivery. HSCIC has already summarised the lessons learned from this programme. The department will share this work with the Cabinet Office, so that these may be widely disseminated, potentially in conjunction with learnings from other programmes across government.

4.3 Cabinet Office will disseminate these lessons through their briefings to the Project and Programme Management community, updating of training workshop materials and through the Infrastructure and Project Authority (IPA)'s *Good Practice & Lessons Learned - Inventory & Summary of Documents,* held in their document management system.

List of Treasury Minutes 2015-20[4]

Treasury Minutes is a Parliamentary Command Paper, which is laid in Parliament, and is the Government's response to the Public Accounts Committee reports. The next Treasury Minute will be January 2016

Session 2015-16

Committee Recommendations: 100[5]
Recommendations accepted: 86 (86%)
Recommendations not accepted: 14 (14%)

Publication Date	PAC Reports	Ref Number
December 2015	Government response to PAC reports 1 to 3	Cm 9170
January 2016	Government response to PAC reports 4 to 8	Cm 9190
March 2016	Government response to PAC reports 9 to 14	Cm 9220
March 2016	Government response to PAC reports 15-20	Cm
April 2016	Government response to PAC reports 21-25	Cm

List of Treasury Minutes Progress Reports

The Government produces Treasury Minute progress reports on the implementation of Government accepted recommendations on a regular basis. The next update will be February 2016.

Publication Date	PAC Reports	Ref Number
January 2012	Session 2010-12: updates on 13 PAC reports	Cm 8271
July 2012	Session 2010-12: updates on 28 PAC reports	Cm 8387
February 2013	Session 2010-12: updates on 31 PAC reports	Cm 8539
July 2014	Session 2010-12: updates on 60 PAC reports Session 2012-13: updates on 37 PAC reports	Cm 8899
March 2015	Session 2010-12: updates on 26 PAC reports Session 2012-13: updates on 17 PAC reports Session 2013-14: updates on 43 PAC reports	Cm 9034
February 2016	Session 2010-12: updates on 8 PAC reports Session 2012-13: updates on 7 PAC reports Session 2013-14: updates on 22 PAC reports Session 2013-14: updates on 27 PAC reports	Cm 9202

4 List of Treasury Minute responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52
5 Recommendations up to March 2016

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